

METHODS TO INCREASE THE COMPETITIVENESS IN INDUSTRY

Professor PhD Ion STANCU
Assistant Professor Adriana LĂZĂRESCU
University of Craiova

Abstract:

Industrial firms are different between them for their economical characteristics, competitive situations and their prospects. Industry and competitive analysis use a lot of concepts and methods for obtaining a clear image concerning the variable conditions from industry and competitive strong forces. Economical characteristics of industry are important for their strategic implications.

Industrial firms are different between them for their economical characteristics, competitive situations and their prospects. Technological changes rate can be situated in an interval from quickly to slowly. Capital demands can be high or scanty. The market can be global or local. The sellers' products can be standardized or can be very different between them. Competitive forces can be strong or weak and they can be axed on the price, quality, services or others. Buyer's request can grow up or decrease. Industry conditions are so different therefore the great companies from unattractive industry can meet difficulties in having major profits while the weaker companies from attractive industry can getting them notable performances.

Industry and competitive analysis use a lot of concepts and methods for obtaining a clear image concerning the variable conditions from industry and competitive strong forces. This is a strategic way of thinking about complete situation of industry and point out the conclusions: if that industry represents an attractive investment for company funds.

Industry environment and competitive analysis it's up to

developing the answers for the following seven questions:

1. Which are the main economical characteristics of industry?
2. What kind of factors involve the change in production and what will be the impact for these?
3. What competitive forces action in industry and how strong are they?
4. What companies have the high order/scanty order position ?
5. Who do the next competitive movements and what are these?
6. What kind of factors will determinate competitive success /the failure?
7. How much attractive is industry in its own plans for having profits over mean?

The answers for these questions will make us to understand a firm financial environment and it represents the base for variable strategy synchronization of industry conditions and competitive forces.

For knowing connection between industry social standing for a firm in a period of time and strategies what follow to be adopted in that firm, can be followed in this way:

- a) It's analysed industrial firm existence in a period of time view competitiveness:

- identification main economical characteristics from an industrial medium;

- forces identification/ evaluation;
- competitive position evaluation of companies from industry;
- identification of companies which will make the following competitive movements;
- discovering success factors;
- conclusions about industry attractiveness;
- determination of using present strategy;
- realizing an analysis SWOT (strong, weak, opportunities, threats);
- evaluation of competitive relative power;
- evaluation of relative position of the firm cost and prices competitiveness;
- identifying strategic firm problems about the firm can give a special attention (target modifications, expanding or reduction aims, strategy improvement/ changing).

b) In accordance with the answers of the questions above it makes an identification and evaluation of the firm strategical options in this way:

It's looking for an answer of these two problems:

1. Which are the company options?

- the firm is blocked in doing improvements in base strategy;
- the firm is capable to do major changes in its strategy or to develop another strategy.

2. How do it build a competitive advantage?

c) Realising a new strategy having some representative criterium for decisions:

- amortization concerning the aggregate situation;
- making and maintaining the competitive advantage;
- obtaining some remarkable results.

Identification of Ruling Economic Characteristics of the Industry

Because industries are different in a normal way in their structure or their character, industry and competitive analysis begin with a general view for economical aspects in industry. Like a rule we use the word "industry" when we make a reference to a group firms whose products have many things in common and concure for the same customers. The factors which must be followed for realizing an economical profile of industry are:

- market dimension;
- competitive gain (local, regional, national, global);
- growth rate of market where industry has a grow circle (precocious increase, fast growth and launching, precocious maturity, late maturity and saturation, slackening and stagnation, decline;

- the number of competitors and their relative values; industry is structured in a lot of small firms and it is dominated by some great companies;

- technological changes rate in production processes and in new products

- if the products are different or not; or if they are in the same way with the firm products;

- if there are a scale of production, transport or marketing;

- if the big rates of capacities are important for a production with low prices;

- if there is a strong curve about experience;

- capital demand;

- if the profitability of the industry is situated on the superior level/inferior level of nominal value.

For demonstration it is done a industry presentation choosing the factors above:

- market dimension– annual incomes for 400\$-500\$; total volume = 4 millions tones;

- the competitive aims: as a rule there is regional, producers sell rarely in an area at 250 miles away because of they would have big costs for transport;
- growth rate of market – 2%-3% annual;
- the level of ripening life-cycle;
- the number of companies from industry ≈ almost 30 companies with 110 factories and a capacity to 4-5 millions tones, market shares vary between 3%-21%;
- customers ≈ almost 2000 buyers, in the most cases industrial chemical firms;
- joint-vertical integration rate – 5 from 10 great companies which buy over 50% from their factory products, are fitted retroactive in mining industry and futurist in small part of chemical industry; the other companies are engaged only in manufactured production;
- the way how a company get in/get out on the market – difficulties what appear like capital demand for building a new factory with minimum efficiency (10 million \$ costs) and ability to build a strategic outlet point in an area at 250 miles to the factory;
- the product characteristics – high standards; different producers brands are the same (the buyers know in a difficulty way differences from a seller to other);
- economy for moderate scale, all have equal manufactured costs, but scale economy exists in multiple transport for the same customer about buying great quantities for raw materials;
- experience curve effects – isn't a factor in this industry;
- using capacity – production efficiency is for 90-100% from rates capacity, under a utilization to 90%, the unit costs grow up quickly;
- industry profitability – medium nominal value, products nature from industry results from semnificative prices reductions when the request is low, but the prices low when the request

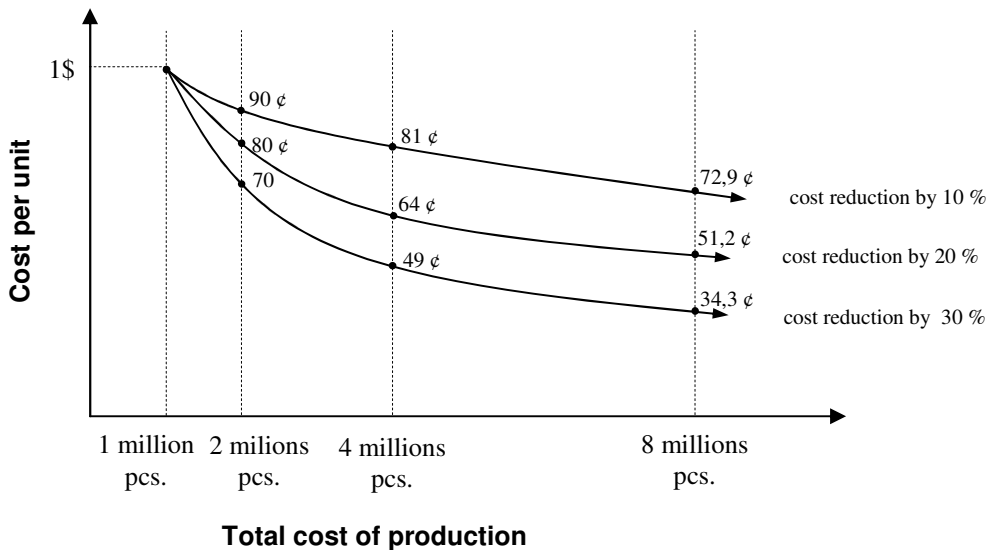
grows; the profits appear from a strong request of the products from that industry.

Economical characteristics of industry are important for their strategic implications. For example, in industry with a great capital, where investments in factory only can touch few millions \$, a firm can facilitate the fixed costs which are grown up from a new strategy which promote intensive promotion for fixed goods and generates more incomes. For example, commercial aeronautical companies use strategies which grow up the productivity from aeroplanes incomes more expensive by short time spent on the airports (many flights by the same plane) and by less taxes for having less free seats. In industries which are characterized by a product, companies want to invest time and enough money in search and development centers for maintaining technical abilities and innovating capacities against competition – a continue innovation strategy of a product becomes a survival condition.

In conductors industry the effect of experience curve (increase the productivity and share of market) can reduce the average unit costs with 20% when the production is doubled. Thus if for the first million cips cost 1\$ per unit for 2 million volume production the cost per unit could be 80% (80% from 1\$) and to 4 million volume production the cost per unit could be 64% (80% from 0,80\$) and so on.

When an industry is characterized by a strong effect of experience curve in manufactured operations a company which firstly uses a new product and develops a strategy for a big part from the market can earn a competitive advantage because it's a manufactured which made low costs. The bigger the experience curve is, the bigger the firm advantage is.

The table represents the experience curve effects in the case of low costs which 10%, 20% and 30% for each doubled volume of production.



The strategic explanation for each characteristic can be made in the following way:

- volume of the market – small markets don't have the tendency to attract the large new competitors; large markets usually take the great companies interest who want to buy new companies with already competitive positions in attractive industries;

- growth rate of market – fast growths attract new entries; the stagnations of the growth rate encourage the competition and determine the rule out of the weak firms;

- impediments at entrance/ exit – difficult impediments protect the positions and profits of the real firms while slight impediments involve vulnerability for the real firms;

- standardized products – the buyers have more power because it's very easy to change the brands;

- capital demands – considerable demands make investments decisions to be critical; the synchronization becomes important and sometimes becomes an impediment for entrance/ exit;

- vertical integration – growth the capital demands; often involve competitive differences of cost between the firms totally integrated, partial integrated or unintegrated;

- scale economy – grow up the volume and market shares through the cost reduction;

- fast innovation of the product – shorten the life cycle of the product.

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